CALLING ATTENTION TO MATTERS OF URGENT PUBLIC IMPORTANCE

Disinvestment of profit making Central Public Sector Enterprises

SHRI TAPAN KUMAR SEN (West Bengal): Sir, I beg to call the attention of the Minister of Finance on the Disinvestment of profit making Central Public Sector Enterprises.

THE MINISTER OF FINANCE (SHRI PRANAB MUKHERJEE): Mr. Deputy Chairman, Sir, through you, I would like to apprise the House of the following factual position:

The policy on disinvestment articulated in the President's Speech to Joint Session of Parliament on 4th June, 2009 and Finance Minister's Budget Speech on 6th July, 2009 requires the development of "people ownership" of Central Public Sector Undertakings (CPSUs) to share in their wealth and prosperity, with Government retaining majority shareholding and control. This objective is relevant to profit-earning CPSUs as it is only these that will sustain investor-interest for sharing in their prosperity.

In line with this policy announcement, Government has decided that:

(i) already listed profitable CPSUs not meeting the mandatory public shareholding of 10 per cent are to be made compliant;

(ii) all CPSUs having positive networth, no accumulated losses and having earned net profit for three preceding consecutive years, are to be listed through public offerings out of Government shareholding or issue of fresh equity by the company or a combination of both; and

(iii) the proceeds from disinvestment would be channelised into National Investment Fund and during April 2009 to March 2012 would be available in full for meeting the capital expenditure requirements of selected Social Sector Programmes decided by the Planning Commission/Department of Expenditure. The *status quo* ante will be restored from April 2012.

In pursuance of above policy, the Department of Disinvestment is in dialogue with the administrative Ministries and the CPSUs to assess their capital expenditure requirements to be raised through issue of fresh equity. The composition of the 'public offering' will be based on this input and each case will be considered on merits and submitted to Government for approval.

Disinvestment of Government shareholding in NTPC Limited (5%) and SJVN Limited (10%) and Rural Electrification Corporation Limited (5%) through Public Officering in domestic market, is under implementation. These Public offerings are likely to be completed by 31st March 2010.

MR. DEPUTY CHAIRMAN: Shri Tapan Kumar Sen. Mr. Sen, you have seven minutes.

SHRI TAPAN KUMAR SEN: Mr. Deputy Chairman, Sir, in response to the statement made by the hon. Finance Minister to the Calling Attention Motion, I would like to seek some clarifications. While doing so, at the outset, I would like to quote the present hon. Finance Minister's assertion in this very House on 27th February, 2001, which he made as Leader of the Opposition on the same subject. He said and I quote, "Therefore, if the objective of the Government is to bridge the resource crunch by disposing of capital assets in order to meet consumption expenditure, it would simply not be permissible under any amount of fiscal prudence." But, precisely, I understand, maybe on the aegis of social sector expenditure and capital expenditure, same thing has started and 'that fiscal prudence' has taken a somersault. I ask the hon. Finance Minister why such a position has been taken. Is it that within a span of eight years the perception of fiscal prudence has undergone a change? It has been told that the social sector expenditure and capital expenditure of public sector undertakings will be met out of the proceeds of disinvestment. Now, the social sector expenditure is, basically, a budgetary responsibility aimed at enhancing the consumption capacity of the common people. So, basically, to augment the consumption capacity and the Budgetary expenditure, whether it is prudent to sell capital assets of the country that helped the country to avoid the serious and disastrous financial crisis arising out of the global meltdown. I would like to know whether it is prudent to disinvest on the same.

The Government has also made a statement that reducing the Government's share to 51 per cent does not amount to privatisation. But, I strongly feel, this disinvestment process is, basically, designed to pave the way for creeping privatisation of the country's Blue Chip PSUs. The Government made a statement that 51 per cent will be retained by it. So, most humbly, I would like to ask a question. How much credibility and sanctity that this policy statement may have looking at the track record of shifting policy position on the same subject in the process of last one decade? Sir, even within the framework of the UPA Government, four years back, the position was that Navratna PSUs would not be disinvested. Now, within a span of four years, the Navratna PSUs have been ordered to be disinvested — either listed or unlisted — to the tune of 10 per cent. Within a span of four years, as soon as the Government got relieved from the bondage of the Left support, it has changed its stand! And, if this goes on — the Government, in the Parliamentary democracy, is also expected to go on changing — the disinvestment process, precisely, create an enabling situation. Maybe, there may not be privatisation of this moment. But, it is creating an enabling situation to final privatisation of the public sector network of the country which is, basically, governed by the neo-liberal political, economic design. So, this Government is making itself instrumental in creating an enabling condition for creeping privatisation of PSU's in the country.

Sir, my third point is, the Government is arguing that disinvestment is being done to ensure people's ownership of PSUs. Now, the PSUs are under the control of the Parliament which is

elected by people. Can there be more effective and broader mechanism of ensuring people's ownership other than the Parliamentary control? If you see the shareholding profile of the already disinvested public sector undertakings you will know the real position. What does it show? It shows that a very miniscule part of share invested has gone into the hands of general public. In BHEL, Sir, out of 32.8 per cent share disinvested, public holds only 1.9 per cent. In SAIL, the public holding is only 1.9 per cent out of 14.18 per cent disinvested. In BEL, 24.18 per cent was disinvested and the public holding is only 2.4 per cent. In ONGC, out of 25.86 per cent disinvested, general public holds only 1.6 per cent. In GAIL, Sir, out of 42.66 per cent, which is almost privatised, disinvested, the general public holds only 1.6 per cent. So, it is a very small or miniscule part that is owned by a few private individuals. Can that be a better way of ensuring people's ownership other than the present Parliamentary control? And, precisely for this purpose, why should you create an enabling situation to go thus far and vest ownership on private individuals. Basically, it is not even private individuals but the shares disinvested have gone to big corporate entities, FIIs, financial institutions, NRIs, other companies and collective entities, not individual entities by which you can show semblance of people's ownership. I think, Sir, it does not work.

Sir, my fourth point is: What is your credibility to revive the sick PSUs? Of course, you need fund mobilisation in view of resource crunch for social sector expenditure. Let me tell you, when the Government is lamenting for resource crunch, can it afford the luxury of allowing tax revenue foregone, as per the last Budget statement, to the tune of Rs. 4.5 lakhs crores? How can the Government, which is lamenting on resource crunch, allow accumulated unpaid tax arrears to the tune of Rs. 1.98 lakh crores till last year which is increasing in geometric position practically? So, to quote the hon. Finance Minister's own statement in this very House, how is it permissible, under any amount of fiscal and economic prudence, to forego such huge revenue? And, at the same time, how prudent is it to sell capital assets for meeting the Budgetary expenditure?

Sir, my sixth point is...*(Time-bell rings)*...I am going to complete, Sir. The PSUs also need funds or resources for their own modernisation and expansion. So, let them go in for IPOs. But, do they really need funds? Presently, the PSUs are having huge reserve and surplus of Rs. 4.85 lakh crores till last year. Just now, the hon. Finance Minister, while replying to another question, said that PSUs are not expected to augment their earning by interest income. They must go in a productive employment generation route. I fully endorse that idea.

MR. DEPUTY CHAIRMAN: Mr. Tapan Kumar Sen, please conclude.

SHRI TAPAN KUMAR SEN: Sir, I am concluding in one minute. How these Rs. 4.85 lakh crores being utilised? Kindly have a scrutiny. It remains underutilised or locked up with meagre interest rates either in the Government bonds or in the banking system. I would like to know

whether that is permissible. Let me say, Sir, having a debt equity ratio of 0.75 per cent for PSU — Re. 1 is equity and 0.75 paise is debt burden — should they not go to debt procurement route instead of diluting the equity and diluting the capital asset?

MR. DEPUTY CHAIRMAN: Okay, Mr. Sen. Please conclude.

SHRI TAPAN KUMAR SEN: Sir, I am concluding. Just one minute.

Sir, I would like to ask whether the country's banking sector is only for exploitation by private corporate houses which have the track record of not paying back and generating NPAs for the banking system. So, I think, in that aspect also, in no way the disinvestment is justified. Will the hon. Minister for Finance clarify this?

And my last point, Sir, is...

MR. DEPUTY CHAIRMAN: No, no.

SHRI TAPAN KUMAR SEN: Sir, please allow me. It has been told that the PSUs to be listed to assess their real worth. Is the Stock Market such a holy place to assess the real worth of a PSU?..*(Interruptions)*... Do you want to assess the worth of the country's Blue Chip PSUs through Stock Market? I don't know how you explain this.

MR. DEPUTY CHAIRMAN: Mr. Tapan Kumar Sen, please conclude. I told you in beginning itself that you have got seven minutes.

SHRI TAPAN KUMAR SEN: Sir, I am concluding in one sentence.

MR. DEPUTY CHAIRMAN: No, no. There are other speakers.

SHRI TAPAN KUMAR SEN: Sir, please allow me. It is my last point. How will the hon. Minister explain that holy place where several thousands of vanishing companies accounting for several crores of rupees of loot of small investors? I can refer to my esteemed colleague Mr. Shourie. His own experience in the run up to the ONGC ...*(Interruptions)*...Sir, I am concluding.

MR. DEPUTY CHAIRMAN: No. no. You cannot go on like this. I call the next speaker, Shri N.K. Singh.

SHRI TAPAN KUMAR SEN: The Stock Market was manipulated.

MR. DEPUTY CHAIRMAN: Please conclude. It is not a clarification ...*(Interruptions)*...Mr. N.K. Singh, you have five minutes.

SHRI TAPAN KUMAR SEN: Sir, whether the funds...*(Interruptions)*...

MR. DEPUTY CHAIRMAN: What you are now saying is not a clarification. Please conclude...*(Interruptions)*...

SHRI TAPAN KUMAR SEN: So, I request the hon. Minister that he should consider these basic points to which his attention has been drawn before the country's Blue Chip PSUs are taken to Stock Market for manipulation by selling their capital assets... *(Interruptions)*...

MR. DEPUTY CHAIRMAN: Kindly conclude, Mr. Tapan Kumar Sen.

SHRI TAPAN KUMAR SEN: I request the hon. Minister to kindly revert his decision of disinvestment. Thank you.

SHRI N.K. SINGH (Bihar): Mr. Deputy Chairman, Sir, I have six questions to ask; but, perhaps, no answers to give.

Before I ask my questions, there are three overarching considerations. The first and foremost is, I must compliment the hon. Finance Minister for having pulled out this entire issue of disinvestment where it was lying in deep freeze in public domain as an important instrument of economic policy.

Secondly, I think we all realise that disinvestment is more about the politics of disinvestment than about merely the economics of disinvestment. I need not go into the history, therefore, of the flip-flop stories. Third the Government policy stands today, it is fairly clear, but it is more of a programme than a policy. It is short-term pragmatism over long-term prognosis and it is an undue emphasis on immediate progress than long-term performance. Now, I come to my questions. My first question to the hon. Finance Minister is that while the rest of the globe is not only not doing any disinvestment, in fact, it is buying shares and the Government is strengthening its consolidation and hold, Is India, a *sui generis* case to do the very contra factual than what the rest of the world is doing? I understand that, perhaps, there are budgetary compulsions; I understand that the fiscal deficit is large; I understand also that for a softer exit from the stimulus package this, really, is of enormous help. So, I think that the first question is: Are we a *sui generis* case apart?

My second question is that since we are just doing 10 per cent disinvestment, an incrementalism, then, clearly any investor who realises there is little or no say in the management of this company is not likely to put in the true value of the company. So, I think that we are not with 10 per cent not being able to realise the embedded value of what the public asset is. This is a classic case where not only the family silver is being sold, but by insistence on 10 per cent, family silver is being sold far too cheaply.

Thirdly, Sir, I think that the issue is of timing. The Finance Minister has repeatedly assured us that he will watch out for the best possible timings, but he knows that global markets are choppy; Indian markets continue to remain volatile, and the assurance and the comfort that he has is that the timing in the light of global and national market volatilities would be a timing which enables us to extract the maximum value from the sale of these undertakings.

My fourth question is of quality of due diligence. What assurance the Finance Minister has is that the due diligence being done by entities which are appointed by these public sectors are companies in whom we can have confidence. I hope he is not following the CPWD procedure of the lowest tenderer in which case the cheapest is not always the best and these are large values involved. Therefore, we need an assurance that the quality of due diligence which is being done will enable us to extract the maximum possible value.

My fifth question Sir, is, in the large number of the spectrum of public undertakings which are proposed to be disinvested, what is the logic in the sequencing? How are priorities being assigned? What is the methodology for their selection? What is the rationale on which the sequencing is being done by the Ministry of Finance?

My last question, Sir, is this. Mr. Finance Minister, I read with great interest the statement of the Chairman of the 13th Finance Commission last week. He has said that the embedded value in these public undertakings are close to $ 400 billion. And that if even less than 50 per cent of this was being realised, India would have closed $ 200 -250 billion to embark on anything that it wants on infrastructure, to embark on everything which it wants for the social sector, to embark on undertaking measures for taking the economy to a low carbon trajectory. Would the Finance Minister, therefore, move away from disinvestment through stealth, disinvestment through incrementalism into a genuine disinvestment which enables us to realise the maximum potential from these public undertakings? Finance Minister, get out of the mindset of "to be or not to be", because you are really in a sense the essence Prince of Denmark in this large game of economic reforms. When we are in cusp of change and when yesterday's data suggests that India is well poised at over nine per cent rate of growth, use this as an important armoury, use it imaginatively and use it boldly.

MR. DEPUTY CHAIRMAN: Thank you for adhering to the time allotted.

SHRI RAVI SHANKAR PRASAD (Bihar): Sir, I am grateful that you have given me opportunity to ask certain questions from hon. the Finance Minister.

Hon. Finance Minister, my statistic shows — and I hope I am not wrong — there are 214 operational PSUs, out of which profit-making are 160 and loss-making are 54. But we need not be very happy about the 160 number of profit-making because out of these 160, only 99 are having positive networth and 61 are having negative networth.

With your vast experience, the hon. Finance Minister, you are aware that under the Sick Industrial Companies Act (SICA), if the networth of a company is negative, *per force*, under Section 3, you have to go before the Bureau of Industrial Financial Reconstruction. Therefore, in this kind of not a very encouraging scenario, I have seen a silver lining from you that in all those companies, which are making profit in the last three years and whose networth is positive, you are going to off-load ten per cent.

Now, the first question is this. Part (a) is, how are you going to select these companies? Part (b) of my question is, and it is more important, by ten per cent off-loading — the money is going to come to the social sector, you have already outlined, in the National Investment Fund for three years — the companies are not going to gain anything; they are going to get nothing. Therefore, what kind of encouragement are you going to give to the workers of these companies in terms of off-loading of shares? Are you having any strategy to ensure that the workers of these profit-making networth positive companies also have a share in the process? Do you propose to off-load something for them as well, if at all you wish?

The second is, instead of this general rule, thumb rule, hon. Finance Minister, why don't you have an individual PSU specific policy? There are PSUs and there is a PSU. The geographical location, international market, domestic market and a whole range of other things are there. Therefore, do you propose to have some kind of a policy which also addresses the individual concern of individual PSUs? These are my two questions.

I am a little worried, hon. Finance Minister. This whole off-loading is a kind of a selling of silver — if I can use my good friend, Mr. N.K. Singh's expression — through the privatisation route; it is not a disinvestment route. There is no policy *per se* indication in the entire policy which shows that these PSUs can also raise finances by themselves. Therefore, what kind of limitations are there? We would like to have a clarity about it because (a) they cannot use the money for themselves; (b) the workers are not being given any stake in the off-loading of ten per cent; and (c) the individual benchmark of individual companies is not being taken into account. We would like to have a clarity from you on this whole issue.

Now, we come to the disinvestment route of sick companies. Hon. Finance Minister, I always don't resist of appreciating a very vast administrative experience in the last nearly forty years that you have been a Minister in one Department or the other. You have seen that there are many companies which have become chronically sick. Now, Hindustan Photo Films is sick since the year 1990. Do you have any strategy for these companies or not? This is very important. After all, national asset is involved there; the workers' interest is involved there; they have a parliamentary accountability. Now, kindly see, when I said — now here this number becomes very relevant — out of 214, if 54 are loss making and 61 are having negative networth, this number becomes a very huge number of nearly 115 PSUs. What is your strategy for this huge number?

Hon. Finance Minister, may I tell you a very specific instance? And, that is the instance of Hindustan Cable. Now, this PSU went to the BIFR and the BIFR recommended that let some profit-making PSU become the strategic partner of this particular PSU. The Minerals and Metals Trading Corporation was willing to become the strategic partner, but no decision has been taken. Therefore, 'family silver' is being shifted off under the garb of ten per cent off-loading and

for chronically sick PSUs, no strategy is there and there is no proposal even of merger of these PSUs with profit-making PSUs. I think, hon. Finance Minister, we need clarity on this very important issue that is there for all of us to see.

The third question, hon. Finance Minister, is: after all, what do we need? What we need is that these PSUs must become profit-making good concerns with functional autonomy. They should not become an appendage to the Government. Therefore, when you are looking at this whole scenario of disinvestment, by whatever route, what is the focus area as far as improving the functioning, competitive edge and autonomy of these units are concerned? Does the policy factor all these into consideration? I will be grateful if these three questions are answered.

SHRI MANOHAR JOSHI (Maharashtra): Sir, thank you very much for giving me this opportunity. The question of disinvestment is not at all a new question. Disinvestments have been done for several years. The Government has taken a decision to disinvest 10 per cent shares from the companies which are working well. And, therefore, my first question to the hon. Minister would be, how did you arrive at this decision? What is the reason behind this? Is it that the Government were short of money and, therefore, they came to this decision? Was this the only source of income for the Government that they decided to alter the original decision and take a new decision? As I remember, the original decision of the Government was to disinvest only those companies which are sick, and for that kind of disinvestment, I am sure, nobody in the House would have objected. But the present decision is meant for companies that are running well. Therefore, my first question is, why was this decision taken?

Sir, the Government has announced that the proceeds from disinvestment would be used for capital expenditure on social sector projects, mainly health and education. Has the plan been made? You may get huge amounts from disinvestment, as proposed. What is your plan? I would like to know, in the interest of the people of the country, what is the plan that you have for investment in education and health out of the amount that you get?

Sir, it has been said that funds made available from disinvestment will be used to bridge the fiscal deficit. According to me, this is an unhealthy practice, a short-term vision and is decelerating the Government's goals. I do not understand why such a decision was taken. In case of disinvestment, future streams of income from the wins are foregone against a one-time receipt from the sale of Government shares. Therefore, I would like to ask the Government whether a decision was arrived at only after consideration from all angles or it was taken in a hurry. The other objective that has been stated is, to develop people ownership. What percentage of the population invests in the share market? If it is a small percentage, then what is better— Government investing the dividend proceeds for the public at large, or giving benefit to the small number of population which might be just about half per cent of the population? Therefore, my question is, how do you find it logical?

Sir, the primary objective is to raise resources to bridge the fiscal deficit. Then why such arguments as increasing public and workers' participation have been given? Has the Government asked the workers whether they want this disinvestment of ten per cent share or not? It is absolutely necessary to consult the workers of the company whether they appreciate this type of disinvestment. Has the Government analysed the loss on account of dividend that could have accrued to the Government? Was the amount of dividend more? The Government can take the loan from outside if the Government needs money urgently. Were the calculations done by the Government, and if it is so, what the calculations of the Government are? Another important aspect I would like to mention. Sir, it is necessary that some industries should be run entirely by the Government because in case of emergency these industries would be useful to you, but not the private industries. I would give the illustration of petroleum sector where crude prices were increased to a large extent, but the Petroleum Department of our Government did not increase the price because that sector is operated by the Government itself. Therefore, it is necessary that such sectors should remain in the hands of the Government. This is a question of future. Lastly, Sir, has the Government considered the point of time when disinvestment is to be done? Did you want to do it right now? Did you think that there will be people giving good price and ready to buy them? If it is not so, why don't the Government wait for a good period to come? It must be consulted in the market and found out whether we can get good price for shares, and then only the Government should go in for this. Otherwise, it is better and desirable that the Government waits.

MR. DEPUTY CHAIRMAN: Shri O.T. Lepcha, not present. Shri Mahendra Mohan, not present. Shri D. Raja. You have five minutes, Mr. Raja.

SHRI D. RAJA (Tamil Nadu): Sir, I am not in agreement with the hon. Finance Minister or the Government on the issue of disinvestment. According to me, every disinvestment is private appropriation of public property. Disinvestment of profit-making public sector enterprises is mother of all scams allowing cherry-picking by the interested private parties. In the past, we have witnessed appropriation of State capital by bunch of parasitic looters using fraudulent arrangements in the name of strategic disinvestment. I can refer to some of the past examples — BALCO, Modern Food, IPCL, FACT. Due to constraint of time, I would like to elaborate a bit on the experience of BALCO. BALCO was sold to those of Sterling Industries which was debarred from accessing capital market for two years on the charge of price rigging involvement. Its market value was supposed to be Rs.15,000 crore, but 50 per cent was sold at Rs.551.5 crore. When challenged by the workers, the Supreme Court did not interfere in the merits of the sale and left the issue as it is a Government policy. This emboldened further similar disinvestments. I can give various experiences, but due to time constraint I stop at this. It is reported now that UPA Government or UPA-II Government has decided to sell Government

stakes in 60 PSUs, out of which 50 are with positive net worth and have recorded net profit in the last three years consecutively. This includes SAIL, BSNL and Coal India. NHPC and Oil India have already listed on. This has kick-started the earlier stalled disinvestments programmes of SJVN and Rural Electirifcation Corporation. NMDC, MMTC and Neyveli Lignite Corporation are already in the list to bring down the Government stakes.

They are all being put on the list of Stock Exchanges. Sir, I would like to tell this august House that there have been myths and motivated propaganda against the Central public sector enterprises over the years. A few years ago, the Centre for Industries and Economic Research brought out a publication, 'Performance of Public Sector - a Comparative Study', which revealed that the public sector units were performing better than the private giants. The total turnover of Central public sector enterprises during 2007-08 was Rs.10,81,925 crores, compared to Rs.9,64,896 crores in the previous year showing a growth of more than 12 per cent in the turnover of profit-making public sector enterprises. Now, if you take the profit, it stood at Rs.90,140 crores during 2007-08, compared to Rs.89,578 crores in 2006-07. Contribution of Central public sector enterprises to the Central Exchequer by way of Excise duty, Customs duty, corporate tax, interest on Central Government loans, dividends and other duties and taxes went up from Rs.1,14,878 crores in 2006-07 to Rs.1,65,994 crores in 2007-08. *(Time-bell rings)*. Thus, public sector enterprises have been growing tall, both as performer and as contributor. In spite of above facts, the UPA-II wants to go ahead with the so-called reforms as dictated by the World Bank, the IMF and the WTO trio, and, as desired by the corporate sector...

MR. DEPUTY CHAIRMAN: Please, conclude now.

SHRI D. RAJA: I am completing, Sir. As my hon. colleagues pointed out, as selling family silverware in the days of *Nawabs* and *Maharajas* in order to maintain a particular lifestyle was the order of the day, now, disinvesting or selling the public sector shares is the order of the day to meet the Budget deficits and for purposes other than supporting the weak public sector.

Finally, Sir, this act of the Government, I understand, appears to be very unconstitutional. Privatisation of public sector enterprises is contrary to the very Preamble of the Constitution which declares India as a socialist, democratic Republic. Now, Part-IV of the Constitution - Directive Principles of State Policy - states, "that the ownership and control of the material resources of the community are so distributed as best to subserve the common good". Again, I quote, "that the operation of the economic system does not result in the concentration of wealth and means of production to the common detriment;". These principles are sought to be flouted by the Government in the name of strategic disinvestment programme. In the context of so-called reforms in finance sector, off-loading the Government stakes in public sector enterprises

is not in the interest of our economy. *(Time-bell rings)*. The public sector is the only sector which has been meeting certain social and national objectives like providing employment to the Scheduled Castes, the Scheduled Tribes and OBCs.

MR. DEPUTY CHAIRMAN: Mr. Raja, please conclude.

SHRI D. RAJA: So, the Government will have to reconsider its decision of selling the Government's stakes, shares in the public sector undertakings.

MR. DEPUTY CHAIRMAN: Shri Rahul Bajaj. You have five minutes' time.

SHRI RAHUL BAJAJ (Maharashtra): Thank you, Mr. Deputy Chairman. I also disagree with the hon. Finance Minister, but for reasons which are somewhat different from what my friend, Mr. Raja, just now mentioned. He is not doing enough. I realise that consensus is required. In India, we go slowly but surely. And, consensus in India, I believe, means that both the Houses should be able to pass or approve what the Government wants to do.

We are a democratic society. I fully support that. But, Sir, things like family silverware being sold, this thing is happening, or, that thing is happening; what 'family', Sir. Are we undermining our country? Is this country only of few companies here and there? The country has land, water, air and people. We have to work for the 1,000 million people of this country. Keep some strategic units like ONGC or the State Bank of India with yourselves. We can understand that. It is fair enough. I have no comments on that. But, through you, I would like to request the Finance Minister that subject to consensus, the loss-making units should either be made into profit-making or sold off. But that takes a lot of time, and, some of them which are sick, sell them off, and, that should be sold to the highest bidder. You may get a lower price. But today, you are giving public money, shareholders' money, taxpayers' money every year. The total numbers of employees in public sector companies are very limited. You can give them any kind of VRS, I don't mind. Give them very attractive golden handshake, I don't mind. I am pro-employees. I employ 50,000 people today, Sir, in the group. I am not anti-employees but, for them, we cannot survive. The taxpayers' money, the country's money cannot be thrown away. So, loss making units should also be sold off to the highest bidder.

Coming back to the profit-making units, Sir, here, the important part is transparency. We have made some mistakes in the past. I would say, even as a business house that it should be sold through the capital market, not to the individual bidder. No. We are not yet ready as a country for that. We have heard 'socialism' for fifty years. It is in our DNA almost. Sell it through the capital market, through a transparent mechanism. Let it determine the things. Maybe you get a little lower price than what an individual company or a group may offer but that does not matter. Let there be no criticism. Whether it is an IPO or a public issue by a company, about

which some people asked the question, the money will come to the company, and, the company will use it. Where it is a disinvestment by the Government, by the President of India, it will go into the investment fund, which will be spent on social structure or physical infrastructure.

My friend, Mr. Manohar Joshi spoke about it. We need money; the Government needs money. Can't they see that? Can't they see the fiscal deficit growing? It is unsustainable, Sir. It will lead to inflation. We don't want the growth momentum to stop. So, I am grateful to you and the hon. Prime Minister for saying that you would not withdraw the fiscal stimulus. We will wait for the Budget. Of course, in the second quarter, 7.9 per cent growth rate is very, very encouraging and almost surprising.

हिंदी में बोलते हैं, पब्लिक सेक्टर कंपनी का अचार डालेंगे क्या? Will you pickle them? What are you keeping them for? Some people may criticize me but I say it very proudly, help the people, help the country, do the NREGA, do the loan waiver and prevent the farmers from committing suicide, and, fight with terrorism; that is for the Government to solve, not for running a hotel or even an airline. My friend Praful is not here. It is making loss of Rs, 5,000 crore every year. What for? You have got so many airlines. Nobody is holding us to ransom, Sir. If you want some of your flights to North-East — I have no time to go into that — we can give them subsidy to fly to the North East; go to Mecca. That is not the issue. But, why should not the loss-making units be privatised, Sir? *(Time-bell rings)* Mr. Mukherjee, Sir, I am very sorry. Ten per cent; ten per cent. We are not at all ambitious, Sir. Mr. Chairman, through you, I would like to tell the Finance Minister that he must move forward and not listen to my friends, Mr. Raja, Mr. Tapan Sen. They are very old type, Sir. ...*(Interruptions)*... I am older than them, Sir, but broader-minded like our Finance Minister. So, my point of view is that इसको पिकल मत करो, इसका अचार मत डालो। Let not the taxpayers' money be put into loss-making units. ...*(Interruptions)*... Brinda *ji*, don't interrupt. *(Time-bell rings)* It is your conflict of interest. That is not my conflict of interest. ...*(Interruptions)*... Please don't try to focus your unions. ...*(Interruptions)*...

MR. DEPUTY CHAIRMAN: Please conclude. ...*(Interruptions)*...

SHRI RAHUL BAJAJ: Sir, give me some more time because they are interrupting me. Brinda *ji* always interrupts me because she is such a close friend of mine. I would like to conclude by saying that with regard to some strategic companies, you need not do anything at the moment. But there also, make them accountable to people and make them more efficient. I was Chairman of Indian Airlines. There are outstanding people in public sector. ...*(Interruptions)*...

MR. DEPUTY CHAIRMAN: Mr. Bajaj, please conclude.

SHRI RAHUL BAJAJ: The problem is that today in some companies, although I do not want to name them, the political and administrative interference is creating problems, and, that is why, the unions get very disturbed. I was talking to the pilot while coming from the Port of Spain. ...*(Interruptions)*...

MR. DEPUTY CHAIRMAN: Okay. Please conclude. Please.

SHRI RAHUL BAJAJ: I am concluding, Sir. So, this is not the job of the Government to run every company. Through you, I would like to make a request to the Finance Minister, who has an experience, as Ravi Shankar *ji* said, of over forty years. Take courage in your hand and ignore Mr. Raja and go not for 10 per cent but much more than that and even privatise. Thank you, Sir.

PROF. P.J. KURIEN (Kerala): Thank you, Sir. At the outset itself, I would like to congratulate the Finance Minister that we have got a GDP growth of 7.9 per cent. When the economic atmosphere around the country is so bad, that growth is actually surprising. Why do not all of us congratulate the Finance Minister? All of us should be happy on 7.9 per cent growth rate which was never expected. Sir, I congratulate you. Now, Sir, I don't want to take more time. I know my time is only five minutes.

The first thing which I want to know is, my friend, Mr. Ravi Shankar Prasad also asked, there are a number of loss-making PSUs which are continuously making losses. All efforts to turn around failed. They have put a substantial burden on the exchequer. What are you going to do with them? What is your policy on that? That is what I want to know first.

My second question is that you are disinvesting 10 per cent of the good profit-making PSUs. But the contribution of the workers in getting profit cannot be ignored or cannot be over-emphasised. When you take profit from public sector by selling the equity, what consideration you have for the workers? As has been said here, I would like to know whether you are prepared to give a portion of the equity to the workers of those profit-making PSUs.

Sir, my third question is, now you are doing 10 per cent disinvestment. Next year it can be 20 per cent. Sir, there is an apprehension that this is a beginning for total transfer of management for privatisation. If that is so, I do not agree. To that extent I don't agree with Rahul Bajaj; to this extent, I agree with Raja that the management should be, under any circumstances, with the Government. Don't disinvest to the extent that the management is transferred out of the Government. That is my point. Sir, I have an example of Maruti. Earlier Maruti was in joint sector. Now, it is a private company. Therefore, I want the Government to assure, I want the Finance Minister to assure the House. Yes, we support the disinvestment policy but not to such an extent that the Government loses the management.

Sir, my fourth point is, as has already been mentioned here, economic ambience around is not conducive to getting maximum value for the equity. That is what I feel. Some others are also feeling the same way. Therefore, is the Government sure that this is the best time for off loading, for getting the maximum price? May I know whether such a study has been conducted? If not, why not a study be conducted so that the off loading will be done at the best time for fetching the maximum value for the equity. Sir, with these words I want to conclude. Thank you very much. These are my four questions.

SHRI TIRUCHI SIVA (Tamil Nadu): Sir, the statement has stated that, "The proceeds from disinvestments would be channelised into National Investment Fund and during April 2009 to March 2012 would be available in full for meeting the capital expenditure requirement of selected social sector programmes decided by the Planning Commission or Department of Expenditure. The status quo ante will be restored from April 2012". Sir, would the Minister kindly clarify what he means by 'status quo ante'? If at all it is about channelising the proceeds into National Investment Fund, how would he meet the needs for the requirements of selected social sector programmes which is a never ending process? Two, disinvestment is defined here as "..it requires the development of "people ownership" of Central Public Sector Undertakings..." So far, we were thinking that Public Sector Undertaking itself is of peoples. When it is owned by the Government, naturally, it is of peoples. Let us say, for argument's sake, that this is intended for "people ownership." What are the plans that the Government is having to restrict the entry of private industrialists in any garb? Otherwise, that would defeat the very purpose of "people ownership" of Central Public Sector Undertakings. Thank you, Sir.

MR. DEPUTY CHAIRMAN: Mr. Minister. *(Interruptions)* Please. *(Interruptions)*

SHRI JESUDASU SEELAM (Andhra Pradesh): Sir, we want some assurance from the hon. Minister that SC and ST employees will not be removed.

MR. DEPUTY CHAIRMAN: No. *(Interruptions)*

SHRI JESUDASU SEELAM: Sir, we did not get time. We want to raise this issue. None of the speakers has raised this issue.

SHRI PRANAB MUKHERJEE: Mr. Deputy Chairman, Sir, first of all, I would like to express my gratitude to all the hon. Members who have made their contribution while participating in this Calling Attention discussion. First of all, I would like to dispel one thing — I have not brought out any new policy. Disinvestment is not being enunciated by the Government for the first time; Disinvestment is going on from the 90s. The process of disinvestment has taken different turns. At some point in time, there was a strategic sale. Two Disinvestment Commissions were appointed; first one was by the Democratic Front Government in 1996 and another one was by the NDA Government. They made a series of recommendations. Many recommendations were acted on.

Therefore, the first point, which I would like to clarify, is that this is not something new which I have brought. The second point, which I would like to make quite clear at this point in time, is that neither I want to be extra bold nor I want to be extravagant. I would like to chart a middle-course, as I have done in my earlier economic policies, and I would like to do so. Therefore, I am not going for outright privatisation. Whether the Government should engage itself in doing business or not, I am not going to enter into it. We are doing business. Sometimes we are doing bad business, and sometimes we are doing good business. But that does not mean that we are going to completely give up our doing business. We are going to do so.

Three things we shall have to keep in mind. Nobody can give you a guarantee. It is a parliamentary democracy. Every Government is sovereign. Every Government is elected with the mandate of the people. They have the right and authority to decide what would be the best in the interests of the country. The policy, which I am having for today, will be limited up to 2014. If the new Government considers it necessary, it can continue with it. And if it considers it not necessary, it can scrap it. This is the constitutional framework in which we are functioning. My friend, Mr. Sen, need not be worried about it. Nothing is permanent here. If you come tomorrow with 272 seats in the Lok Sabha, you will be fully entitled to do whatever you like to do. Therefore, let us not unnecessarily agitate on issues which are not the point for discussion.

The statement, which I have made, is limited. One, the Government will not go beyond ten per cent at this stage. I have stated that only those profit-making Public Sector Enterprises will be listed which are earning profit for three preceding consecutive years, which are having no accumulated loss, and which are having positive net worth.

When they will be listed; at what point of time; many Members have enquired. Of course, the Government will have to assess at what point of time they will disinvest; they will offload. The objective is to get money, good, bad or indifferent. The objective is not to make charity. The objective is to get the maximum price. Therefore, we shall have to make an assessment at what point of time they will disinvest. I am not carried away by an ideological Budget that I will offload the shares at a time; the Government does not want to do business. At the same time, I would not like to incur loss. I would like to get the maximum out of the market, prevailing in the market conditions, and for that, the best time is to be ascertained. And who will ascertain that? This has been pointed out on a number of occasions. I know that when I presented my Budget, there was a big disappointment because I did not read out the number of public sector enterprises which I was going to disinvest, and when I had interaction with the Chambers of Commerce, I told them, I have no such intention. Disinvestment is a Government policy continuing even not under your bondage. I do not consider that there was any bondage of the Left parties. They were our valued cooperators and we are grateful to them for lending their support to this Government, the first

1.00 P.M.

UPA Government, for full five years. But as many as seven public sector enterprises we have disinvested. If you want the list, I can give the list. There was no question of any bondage. Therefore, do not come to this conclusion that because our Left-Front parties are not supporting the Government, the Government has taken the decision. What we suggested in the Common Minimum Programme got reflected in the Presidential Address to the Joint House; that got reflected in my Budget Speech. I am just translating that objective into this in a limited way. So, the timing will have to be chosen. They are the individual public sector enterprises; the Departments and the Ministries concerned, and the Department of Disinvestment, all will have to consult each other, and they will find out what would be the maximum prices that we can fetch from the market, depending on the market condition.

One very valid question has been raised by Mr. N.K. Singh, and I appreciate that question, but in a different context. My interpretation is different. That speaks, on the one hand, on the strengthening of our economy. He raised this question that when the other developed countries are helping the private corporate sectors, including the major bans, by injecting money into them, why, at that point of time, we are going to dispose of our shares in the public sector undertakings. These differences speak of the strength of Indian economy. Thanks to Mrs. Indira Gandhi. I must tell you that in 1969 she took the decision of nationalising the 14 scheduled commercial banks, in all aspects, branch expansion, deposit mobilisation, credit disbursement; if Rs.25 lakh crores of deposits we have mobilised over these years, it is not by accident, but it is only because the public sector banks gave an excellent account, and they did not collapse when the mighty banks all over the world collapsed like pack of cards and the Governments of those countries had to inject resources to make them alive,. ...*(Interruptions)*.... somehow, to go on floating. The question is whether we could have done better. Always we can think that we can do better. But the intention is quite clear. I do agree that it is bad fiscal management. What I said in the House, in 2001, sitting on the other side — I don't change my views simply because of the accident that from that side I have come to this side — was that I should not like to use the proceeds of the disinvestment to meet the normal revenue expenditure. That is really a wastage of the family silver. But if you use the disinvestment proceeds for strengthening the public sector enterprises themselves, enhancing their capacity, their modernisation, upgradation of their schemes and their expansion, what is wrong with it? What I have stated in my statement is that the public issues would be public offerings out of Government shareholding or issue of fresh equity or a combination of both. There will be all these three elements. What have I stated? I have stated that we have already decided some. It is not correct to say that the Navratnas are not listed. Some of them are listed. They are not allowed or permitted by the SEBI to offer above

10 per cent, which is mandatory. But now the SEBI is making noise. We do feel that adequate time has been given. Therefore, in the case of those public sector enterprises which have been listed and which are exempted from offering minimum 10 per cent, the exemption will be lifted now. The public sector enterprises, which have been listed, will have to comply with the minimum 10 per cent. Those enterprises which have done less than 10 per cent will have to do the balance so that they can reach the 10 per cent. Those enterprises which are listed now will go up to 10 per cent. It is not necessary that everyone will have to go in for 10 per cent. Some may go in for five per cent or some may go in for six per cent depending on the market and their requirement.

Another question has been raised whether there will be any share held by the employees if there is disinvestment. I am emphasising on the words of every disinvestment proposal that a part is earmarked for the employees. But, unfortunately, they are not fully subscribed. I would request my colleagues, Mr. Sen and Mr. Raja, to encourage the workers, whatever shares have been allocated to them, to subscribe. Take, for instance, the Indian Oil Corporation. The shares allocated to them were not fully subscribed. There are others also. Therefore, they should be encouraged. ...(*Interruptions*)...

SHRI SITARAM YECHURY (West Bengal): You give them loans.

SHRI PRANAB MUKHERJEE: You can't give them price concession. That is not possible. ...(*Interruptions*)... They will buy because they get enough. Don't say this. When you are talking of the ordinary people, you are talking of one per cent or two per cent. When you compare their income level and the public sector employees' income level, you will find that they are not helpless. Let us not distort the whole thing. In the situation which prevailed 30 years ago, the question didn't arise. The other day I have given a hefty seventeen-and-a-half per cent to step up the salary of the bank employees. I have given seventeen-and-a-half per cent compared to thirteen per cent, thirteen per cent and 13 per cent. When in three five-year bipartite they got thirteen per cent each, in the last bipartite which we signed on 27th November I have given them seventeen-and-a-half per cent. Don't say they can't buy that much. It is more than that. It is not that they are going to have bulk shares. But it will convey the right sense. It really means their participation. Therefore, their provision is always being met.

Another issue that has been raised is: What are you going to do about the sick public sector enterprises? It is true that, surely, I can't do what I can do for the profit-making companies. I am exposing them to the market. Which is the best place, I do not know. Which is the best place? Which is the place where you can have competition, where you can have bidding to assess as to what would be the value of a share of a public sector undertaking? If I do not stash in the stock market, where should I stash? Who is going to buy that? It is not a holy place. But when I am going in for that, I am not judging on that. But is there any other way, when I am going in for

disinvestment? I know you are, on principle, against disinvestment. I do not agree with that. That is the basic difference. Let us live with that basic disagreement. The Left does not believe in disinvestment. But I believe in disinvestment. I did disinvestment in the UPA-1 with your support as part of the Common Minimum Programme, I am doing it now and if I get the opportunity in future, I might do it. Nobody can give you guarantee that it will remain static at 10 per cent. So far as this period is concerned, the mandate is concerned, I have no intention of enhancing it beyond 10 per cent. But when the new Government comes after five years, what decision they will take, who can tell this? They can say that nothing should be done and everything should be under the Government's control. They are free to do so. So it depends on them. Let us not mix it up. There is nothing against the Constitution. If somebody feels that this act of the Government is anti-Constitutional, he or she is free to go to the court and take the help of distinguished lawyers, Shri Ravi Shankar Prasad or Shri Arun Jaitely, to file a writ petition. There is no problem. That is not the correct interpretation either of the Preamble or of the Directive Principles of the State.

Shri Shiva has raised an issue that how we would meet the requirement if the money goes to the NIF. What is the concept of the NIF? This decision was taken because the general criticism was that you will mix it up with the Consolidated Fund of India and thereafter, you will, with the approval of the Parliament through Supplementary Demand, spend for your normal regular expenditure. So it was earmarked. It was thought that the corpus which would be created out of the proceeds of disinvestment that corpus would be used for the purposes of social sector. We have actually used some money — this was created on 27th January, 2005 — in the social sector projects, health care, employment and education; capital investment in the selected profitable and revivable public sector enterprises that yield adequate return in order to enlarge their capital base. The fund was professionally managed. It was not managed by the Government. It was not part of the Consolidated Fund of India. There were three asset managers, the UTI Asset Management Company, the SBI Fund Management Company and the Jeevan Bima Sahayog Asset Management Company. They were the managers of this fund and the corpus was being used. The total amount was more than Rs. 1,800 crores. Therefore, the corpus was limited. I have sought one time exemption for a period of three years because I know during this period, during the remaining part of the Eleventh Plan, massive investment would be required for social sectors, health and education. The revenue realisation, the revenue buoyancy, which we enjoyed in the previous years from where our tax GDP ratio increased from 8 per cent of GDP in 2003-04 to 12 per cent of GDP, is no longer available. Although there has been some improvement in the manufacturing sector now and there will be some improvement in the remaining years, but it is not adequate. Exports are going down continuously. Imports are

going down. Customs duties are going down. As the raw materials, intermediates and components are not being imported, to that extent, the manufacturing activities are not stepping up. On excise duties, realisations are going down. It cannot be made up only from direct taxes. We have looked at the Budget Paper. The Budget Estimates from direct taxes is around Rs.2,70,000 crores, and the B.E. is around Rs.2,69,000 crores from indirect taxes. Taken together, we will, perhaps, have around Rs.6,00,000 crores. But there will not be buoyancy which was witnessed year after year. Therefore, from where will the money come? Is it through borrowed resources! I agree with Shri Rahul Bajaj, and I myself stated in my Budget speech, that this level of fiscal deficit is not sustainable. Please remember, whatever elbowroom we have, whatever we could do, whether by introducing the NREGA, or, going in for a one-time loan waiver for the farmers, it was not because of mere revenue buoyancy, but because of the fiscal discipline, because of FRBM, because of reduced fiscal deficit, that is, revenue deficit to the extent of 1.2 per cent and fiscal deficit to 2.5 to 3 per cent. That provides you economic muscle. These rules cannot be ignored. And, if we try to ignore it, we may have some temporary reliefs, but there will be reactions and there will be counter-productive actions in no time. As it has happened, the bubble will burst. What happened in developed economies, which is described in various ways, say, meltdown, or, international financial crisis, because it was some sort of bubble artificially created, not backed by basic fundamentals, and the bubble burst. And, I am not indulging in going for the bubble. Therefore, that level of fiscal deficit is not acceptable in our system. This is my most respectful submission. So, some corrective measures have to be taken. That is why I have indicated that we will take a one-time exemption for these three years, namely, from 2009-12, and again, from 1st April, 2012, the entire proceeds will go back to the NII, and only the interest earned from the corpus will be used for this purpose because, at that time, the money will not be required.

Another important point raised was, what we are going to do for the sick industries. We established a mechanism which is known as the BRPSE, that is, the Board for Reconstruction of the Public Sector Enterprises. All the sick units were referred to them. And, from time to time, they have been making recommendations. This was established in July, 2004. This was also a part of the Common Minimum Programme. And, some sick companies have been revived. A couple of cases, which Shri Ravi Shankar Prasad, has referred to, — I myself know about them — that is, the Hindustan Photo Films and the Hindustan Cables, and to the question as to why the strategic partnership could not click, I will find out. A readymade answer is not there with me. I shall have to find out from the Department. But, in this country, we shall have to keep in mind that we cannot simply throw people who walkout. We shall have to keep in mind the fact that the social security in our country is not so adequate. Therefore, with such people, if I simply throw them out of job overnight, it is not possible. The society will not accept it. Therefore, a

remedy should not be worse than the disease. So, we shall have to carry on with some sort of drag on; these are all drag on the revenues. But, at the same time, what would you do unless you can make a proper rehabilitation? These expert bodies are making recommendations, and we are trying to salvage the situation.

I would like to repeat in my conclusion, Mr. Deputy Chairman, Sir, that there is no question of Government's responsibility being given up; the management will be with the Government. So far as the present mandate of this Government for the five years is concerned, we are not going beyond 10 per cent; we are not going for strategic sale. At what point of time we will go for it and the public sector enterprises will be off-loaded, we will be guided by the experts, looking at the conditions of the market where the maximum values could be discovered. Keeping that in view, we will take the appropriate action. I am not going to reel out, nor is the Department of Disinvestment going to reel out for the satisfaction of the stock brokers and to go on speculation that such and such company, such and such percentage will be off-loaded on such and such date. It is not possible.

Now, Shri N.K. Singh raised this question about due diligence. Yes, that is very important that due diligence is to be exercised and is to be exercised in the transparent manner. That is why we are not doing it merely through the civil servants or the brokers; wherever the experts are available, we are taking their help and we are trying to work out and get the recommendations from all of them.

Sir, Mr. Ravi Shankar Prasad gave certain figures. I think, I have answer to some of them. I could read out the figures that whichever companies have been stated.

Lastly, Sir, my good friend, Shri Rahul Bajaj has advised me to be bold enough. I normally accept his advice, but in this case, I am a little scared to accept his advice, and I would like to be rather conservative or rather meek than to be too bold. Thank you Mr. Deputy Chairman. Sir, I once again express my gratitude to the participants.

MR. DEPUTY CHAIRMAN: The House is adjourned for one hour for lunch.

The House then adjourned for lunch at seventeen minutes past one of the clock.

The House re-assembled, after lunch, at seventeen minutes past two of the clock, MR. DEPUTY CHAIRMAN in the Chair.

GOVERNMENT BILLS

The Legal Metrology Bill, 2008

MR. DEPUTY CHAIRMAN: Now, we shall take up reply to the discussion on the Legal Metrology Bill, 2008.